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Contra Diversion Plan Originated With Israeli, Senate Committee Told

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The Senate Select Committee on Intelligence has been told that the first suggestion to divert money from the Iran arms sales to aid the Nicaraguan rebels was made by an emissary from then-Israeli Prime Minister Shimon Peres during a meeting last January with White House aides, according to sources who have read a draft report on the committee's investigation.

Sources yesterday said the emissary apparently was Amiran Nir, then newly appointed special assistant to Peres for counterterrorism, who had come to Washington to persuade the administration to resume arms sales to Iran. He met with then-National Security Adviser Vice Adm. John M. Poindexter and one of his deputies, Lt. Col. Oliver L. North.

According to the Senate committee report, North later recounted to Attorney General Edwin Meese III how an Israeli, which the committee believes was Nir, suggested at this meeting that money from the arms sales be used to help the Nicaraguan contras, or counterrevolutionaries, the sources said. One source said that North told Meese that since the money came from Iran and was not U.S. or Israeli funds, the proposal seemed legitimate. Meese, who confronted North about the diversion Nov. 23, later testified to the Senate panel in closed session about North's explanation.

There has been dispute over the origin of the idea to resume the shipments of U.S. arms to Iran, which had been temporarily halted in late 1985 after several shipments from Israeli stocks, and the subsequent plan to divert money to aid the contras. But the Senate report and a memorandum prepared for President Reagan by Poindexter last January appear to reinforce claims by some top officials that the Israelis played an active role in encouraging the United States to enter into the Iran-contra scheme.

The first proposal to ship U.S. arms to Iran to open contacts and win freedom for American hostages in Lebanon came in July 1985 from David Kimche, a senior Israeli official, who approached then-National Security Adviser Robert C. McFarlane, according to McFarlane's testimony to Congress. The Israelis shipped weapons to Iran in September 1985, followed by the release of the Rev. Benjamin Weir; another shipment was made in November.

Senior Israeli officials, including Peres, now the foreign minister, have stated that they acted only at the behest of the United States, and have denied originating the idea of diverting funds to the contras. Peres in Rome yesterday said Israel supplied the U.S.-made arms to Tehran as "a symbolic and strategic gesture," which was made under no pressure from Washington.

But the Poindexter memo, which the White House made public yesterday, makes repeated references to an "Israeli" plan. It says that the Israelis feared Iran's military position in the war with Iraq was deteriorating, and if Iran was defeated it would result in enhanced Soviet influence in the Persian Gulf area.

"The Israelis are convinced that the Iranians are so desperate for military material, expertise and intelligence," that providing arms would result in "favorable long-term changes in personnel and attitudes within the Iranian government," the memo says.

The memo adds that the Israelis proposed unilaterally selling weapons to "Western-oriented Iranian factions," as long as the United States would provide assurances they could repurchase U.S. replenishments for what they sold. However, the memo says, Poindexter recommended against this because the law requires notification of such arms transfers.

Instead, Poindexter said there is "another possibility." He said former attorney general William French Smith, who left the government in 1984, had determined that under some kinds of intelligence "findings," the president could "authorize the CIA to sell arms to countries outside of the provisions of the laws and reporting requirements." Poindexter said the plan called for the Central Intelligence Agency to purchase arms from the Pentagon

and transfer them to Iran directly after receiving payment.

Poindexter did not identify the circumstances in which Smith had provided this legal opinion. A Justice Department source said yesterday that Smith's advice was sent in a 1981 letter to the CIA and was based on advice from the State Department. Smith said yesterday the opinion was used in a "substantially different context" and did not involve Iran. He also refused to say what the circumstance was because "it's all highly classified."

The Poindexter memo was written to explain to Reagan the reasons for signing the Jan. 17, 1986, intelligence "finding" that authorized a resumption of the arms sales. It includes a written notation by Poindexter that he briefed Reagan on the contents in the presence of Vice President Bush, White House chief of staff Donald T. Regan and the late Donald Fortier, Poindexter's deputy. Poindexter initialed the memo for Reagan, writing "RR per JP" under the "OK" recommendation.

There were these other disclosures yesterday:

■ Sources familiar with the Senate report said the Jan. 2, 1986, Nir meeting with North and Poindexter triggered a series of events in which a draft intelligence finding for the president was prepared, and a full-scale National Security Council meeting held on Jan. 7.

At the meeting, Reagan's advisers were sharply divided. The draft finding is dated Jan. 6 and was signed by the president, but officials have said they do not know when he signed it. The draft finding was identical to one Reagan signed Jan. 17, except the second finding added language to indicate that "third parties," apparently meaning individuals, would be involved in the arms deals.

■ A White House official who has reviewed most of the documents said Poindexter decided not to inform Secretary of State George P. Shultz about the president's approval of the Jan. 17 intelligence finding. Shultz opposed the plan, but official procedures required that he be informed of such a finding. Shultz has told the House Foreign Affairs Committee he did not learn of the finding until November 1986. The Senate report says that Shultz told colleagues immediately after the Jan. 7 meeting that he realized his objections would not stop the arms sales from going ahead.

■ The background paper released yesterday discloses that William J. Casey, director of central intelligence, and Meese supported the Iran policy. While Shultz and Defense Secretary Caspar W. Weinberger opposed it, Casey and Meese "believed the short-term and long-term objectives of the plan warrant the policy risks involved." Previously, Meese's position was described as providing legal advice that the finding was proper, and Casey's position was described as ambiguous.

■ On Saturday, Jan. 18, one day after the president signed the finding, Weinberger received an "urgent" phone call from the White House instructing him to arrange for the Pentagon to transfer up to 4,000 TOW antitank missiles to the CIA for a covert action, according to congressional sources. The urgency of the call suggested that White House officials anticipated a quick deal in which the hostages would be released upon shipment of the first 1,000 missiles.

The Senate report suggests that Poindexter envisioned a single culminating deal—all the hostages for the first batch of missiles, but others, including North, apparently were more realistic about prospects.

Weinberger bypassed the normal channels used for covert shipments and had his senior military assistant, Lt. Gen. Colin L. Powell, handle arrangements. Powell is slated to be the new deputy national security adviser.

The first shipment of 1,000 TOWs went in February with North believing that Iran would send at least some of these to the Afghanistan rebels, according to the Senate report.

However, it could not be established by the Senate panel whether the missiles were received. Furthermore, no hostages were released.

■ According to the Senate report, in early March 1986, a meeting was held in Europe with Nir, North and others, including Manucher Ghorbanifar, the Iran arms dealer who was acting as a middleman, and George Cave, a former CIA agent. Subsequently, Cave reported to Casey that Ghorbanifar had suggested overcharging the Iranians

and diverting money to the contras and the Afghan resistance. Ghorbanifar's suggestion was the last line in a long cable to Casey from Cave, and was the first hint of a possible diversion. Casey did not respond to the message.

The CIA issued a statement yesterday which said that Casey, now recovering from brain surgery, "testified under oath before four congressional committees that he did not learn that monies may have been diverted to the contras until the White House so informed him just before Attorney General Meese held his press conference on 25 November."

"No credible evidence of a diversion of monies ever came to the attention of the agency. Most importantly, there is no indication whatsoever that CIA was involved in any diversion of funds, that CIA misused its funds or violated any law," the statement said.

Last January, Nir visited Washington after meeting with Saudi tycoon Adnan Khashoggi and Ghorbanifar, both of whom had been involved in the 1985 Israeli shipments which had resulted in the freeing of Weir.

At this point, Nir supplanted Kimche as the chief Israeli contact on the operation, according to the Senate report. The January visit occurred during a difficult period in Israeli-U.S. relations, since Israeli spy Jonathan J. Pollard had recently been arrested in Washington.

In his discussion with Meese, North did not say which Israelis were involved, but the panel and other sources believe it was Nir, who was specifically named as North's usual contact.

Nir also traveled with North and McFarlane on the mission to Tehran in May 1986. He took part in discussions there over the hostages and weapons, talks which broke up when the Iranians refused to help in the release of any more hostages without additional shipments.

Nir also briefed Bush at North's behest in July.

According to the Senate report, North told Meese that the Israelis proposed three options. One was to use Israel as a conduit for money to the contras. The second was to use

Israeli money. The third was to overcharge the Iranians and use the money for the contras, which North said was the plan ultimately adopted.

Staff writer Mary Thornton contributed to this report.

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